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GENERAL

1. Great Britain and France object to tone of draft note to USSR:

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Both Great Britain and France agree on the desirability of a meeting with the USSR, provided a prior understanding on the agenda can be reached. They contend, however, that the tone of the American draft reply to the latest Soviet note would lead the Western Europeans to blame the West rather than the Russians for unwillingness to talk.

American observers in Bonn believe that Chancellor Adenauer might not object to the American draft because of its insistence on Allied-Soviet agreement on certain conditions prior to any talks.

Comment: The American draft calls for a study of election conditions in both East and West Germany and an impartial investigation not subject to veto. Great Britain and France maintain that Western Europe must not be given grounds to believe that conditions are being imposed which the USSR is expected to reject.

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FAR EAST**3. High Commissioner of Malaya may recommend more American aid:**

The American Consul in Kuala Lumpur believes that General Templer, High Commissioner of the Federation of Malaya, during his imminent visit to London may advocate greater American participation in the Malayan struggle. He may propose Mutual Security aid to obtain military supplies or American subsidization of natural rubber.

The High Commissioner is gravely concerned over the rubber price situation, and he may argue in London that the success of the anti-Communist campaign in Malaya should not be jeopardized by a drop in the price of rubber.

Comment: During the past two years, funds for the war in Malaya have been supplied chiefly by the Federation of Malaya, which has maintained a budget surplus largely through revenue from rubber exports.

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4. American Ambassador recommends firm policy on aid to Indonesia:

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American Ambassador Cochran believes that continuation of the US aid program to Indonesia on the present equivocal basis will undermine rather than strengthen American objectives and prestige in that country. He therefore recommends that no further aid be extended until Indonesia states clearly what obligations it will assume in return for the assistance.

Comment: The last Indonesian Cabinet fell early in April because it secretly agreed to the requirements of the Mutual Security Act. The present cabinet, while stating it desires American economic aid, has refused to indicate the terms on which it would accept help.

NEAR EAST - AFRICA

5. Iranian Communists reportedly weakened by dissension:

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there is increasing dissension in the Tudeh Party. The trouble apparently comes from dissatisfaction with the party's demands on the time and money of its members, conflict between Iranian nationalism and the party's allegiance to the Soviet Union, and Tudeh's attempt to blame its youth organization for the unsuccessful March riots.

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Comment:

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the army has seized many Tudeh documents in recent months. While the Tudeh is undoubtedly affected by the financial deterioration in Iran, there is no evidence that the party is having unusual difficulty keeping its members in line.

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